

MOLDENHAUER & ASSOCIATES

DECEMBER NEWSLETTER

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“Do your duty”

It’s Monday, December 2nd, and I think “doing my duty” has been referenced to me at least a dozen times today.

I spent the entire morning “doing my duty” being summoned for Grand Jury duty. I was assured it was an “honor”. A responsibility “to be taken seriously”. I was even sworn to secrecy about anything case related that would be discussed. Fortunately, the Judge was an understanding person...being a business owner, and father of 4 young children garnered enough pity to get me off Grand Jury duty. Phew!!

If you’ve been there, you probably witnessed some of the chaos that I did. The room was filled with people that (mostly) didn’t want to be there. It was hot, delayed, and slow. Being excused took far longer than necessary, and seemed like a sales job to convince one that they should WANT to be on the Grand Jury. Saying it this way makes me realize that maybe they were doing a great job...I was mildly interested before requesting dismissal.

Why do I tell you this story? I really don’t know, except that we are coming off Thanksgiving, and heading into the Holiday season. For one, I’m thankful I got off this morning. I’m also grateful for the wonderful Christmas season I will spend with Andrea and the kids.

Not everyone is as lucky as I to be surrounded by friends and loved ones. This leads me to a small brag: Moldenhauer & Associates truly gets to work with the most wonderful people!! We have participated as a collection site for Toys For Tots for many years now. Each year, our clients, friends, and staff donate more toys

than previously. As of this writing, we have collected 3 large boxes of toys (and I bet we fill at least 1 more). It’s always humbling and reassuring how much our little community wants less fortunate children to have happy memories of the holidays.

So, my thanks: to ALL of you for your kindness, trust and confidence. To all of our staff at Moldenhauer & Associates for your hard work and devotion to doing things the right way. To Andrea and the kids who understand the long hours and stresses I don’t always “leave at the door”. To my parents...because 47 years is a LONG time to put up with me.

I hope you and your family have a great end to 2024, and an amazing start to 2025. “Do your duty” to make 2025 a great year, and the world a better place.

From the bottom of our hearts at Moldenhauer & Associates, THANK YOU for a great 2024!!

Brett Moldenhauer

Brett Moldenhauer



SOCIAL SECURITY EARNINGS LIMIT

Once you reach full retirement age (FRA), any income you earn will not affect your social security benefits. If, however, you took benefits early, you may be affected by the earnings limitation, which caps how much income you may earn and still receive social security benefits. Moreover, if other family members, such as your spouse or children, are receiving dependent benefits based on your work history, your earnings could reduce their benefits, too.

What's the Earnings Limit?

In 2024, the Social Security Administration (SSA) will allow individuals to earn up to \$22,320 in calendar years prior to their FRA without being affected by the earnings limit. Once you reach this limit, \$1 of social security benefits will be withheld for every \$2 earned above the threshold. The threshold is higher in the year you reach your FRA: \$1 will be withheld for every \$3 earned above \$59,520. This offset would end in the month in which you reach your FRA.

Example: Let's assume Sally decides to begin collecting social security at age 64, two years before her FRA. She contacts the SSA and finds out that her monthly benefit amount will be \$1,800. She has been doing part-time consulting work to keep busy and estimates she has earned \$35,000. This amount puts her \$12,680 over the earnings limit for 2024 and consequently reduces her social security benefit by \$6,340 for the year.

Which Income Applies to the Earnings Limit?

When applying the earnings limit, the SSA looks only at earned income, which is an individual's gross wages or net earnings if self-employed. A worker's investment income, government benefits, retirement plan distributions, and pensions do not count as income for the earnings limit. In addition, if you receive income after retirement that social security considers to be a "special payment," it may not be counted as income for the earnings limit.

Offset Benefits Are Not Lost Forever

If you find your social security benefits are offset by the earnings limit, you will recoup these payments once you reach your FRA. At that time, your benefits will be increased to account for the amounts withheld because of the earnings limit. Benefits paid to spouses and survivors with minors or children with disabilities in their care will not receive this increase at FRA.

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RETIRE READY

5 Positive Financial Habits to Adopt Today

Like most people, you probably have a vivid, exciting picture of what your ideal retirement will look like. Maybe it's spending time with family at a beach house, crossing off the books that have accumulated on your to-read list, or finally being able to volunteer enough of your time to make a difference for your favorite charity. But there's no doubt that the journey to retirement is long and winding—and, as with any journey, you'll encounter challenges along the way before arriving at your desired destination. Adopting good financial habits is a must for plotting a successful retirement journey. Let's explore five positive ways to get—and stay—on the right track.

1. Create a Budget

As a first step, it's critical to determine how much money you have to work with each month and what you spend it on. Then, devise a budget based on those factors.

Writing down your monthly expenses—or entering them into a spreadsheet or budgeting app—will clarify what your monthly income actually pays for.

Being able to decipher needs from wants is important. Needs are essential expenses, such as housing, food, utilities, and transportation. If you couldn't pay for those, you would be in a serious bind! Wants are \$7 gourmet lattes, frequent streaming purchases, or vacations at luxury resorts that you could forgo. Determining what you really need versus what you merely want takes discipline, but it's a key attribute of effective saving. You may be surprised at how quickly the cost of nonessential items adds up! And seeing those expenses on paper creates the accountability and motivation you need to commit to getting serious about a budget.

2. Understand the Reality of Future Health Care Expenses

Having a realistic estimate of the health-related costs you may incur during your retirement years is an important item to cross off your preretirement planning list. Why? Because out-of-pocket health care expenses can eat into your retirement savings or, even worse, stunt your efforts to save. There are several free online calculators that can help you arrive at a fairly reliable number and give you a target by which you can choose the most appropriate health care savings offering.

A common misconception is that Medicare, the federal health insurance program that kicks in at age 65, will cover your total health care costs when you retire. In fact, Medicare typically pays only about 60 percent of a retiree's health care costs. Further, basic Medicare doesn't cover some much-needed services, such as routine dental and vision care, hearing aids, and long-term care.

You can plan for the future costs of health care by investing in a health savings account or obtaining a long-term care policy. These options could save you money in the long run!

3. Start an Emergency Fund

Would you be surprised to know that 4 in 10 adults would be poorly prepared to pay for a \$400 emergency expense? Having an emergency fund—a stockpile of money set aside to cover unexpected expenses such as car repairs or a broken refrigerator—will help you breathe easier during stressful times. An emergency fund can also help you pay for essential expenses without needing to dip into your retirement accounts or put a stop on saving. Ideally, your fund should have enough cash to cover three to six months of essential living expenses (such as those described in “Create a Budget”). That may sound like a lot of money, but if you commit to putting a little away at a time (e.g., \$25 per week), saving becomes more attainable, and your long-term retirement savings goals can remain on track.

4. Take the First Step Toward Controlling Your Debt

It’s a well-known fact that most Americans struggle with debt. And debt is a major driver of stress: research has shown that 64 percent of adults report feeling significantly stressed about money. When it’s a struggle to make the minimum payments on monthly credit cards, mortgages, or student loans, finding extra dollars to save for retirement can be a daunting task. How you accumulated your debt doesn’t matter; just focus on how you’ll free yourself of it. Resolve today to take the first step toward controlling your debt. There are several tried-and-true methods for paying down debt, but most begin with having a solid debt-reduction plan and sticking with it. Not sure where to start?

A financial advisor or a credit counselor can help you see the light at the end of the debt tunnel.

5. Put Savings on Autopilot

When we’re faced with difficult decisions, human nature often dictates that we make no decisions at all. That theory rings especially true when finances are at the heart of the decision-making process. If that sounds like you, try this: make your savings process automatic.

For example, when you enroll in your company’s 401(k) plan, participate in the automatic-increase program—that’s where the amount you contribute to your retirement account automatically increases incrementally each year, usually by an amount so small (such as 1 percent) that you’ll barely even notice. Or, you can have your paycheck direct-deposited and set up multiple subaccounts, or buckets, for various expenses or savings goals. Not having those dollars burning a hole in your pocket will make it much easier to save and accumulate money over time.

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CORRECTING COMMON MEDICAID MISCONCEPTIONS

Medicaid planning is an extremely complex area of law, and it’s no surprise there are so many misunderstandings about how rules are applied. The following summary is intended to help you avoid falling into common Medicaid planning traps by correcting some popular misconceptions.

As you read along, bear in mind that because of the high risk associated with asset planning, you should seek the advice of an experienced elder law and Medicaid planning attorney before acting.

Misconception: I should transfer assets before applying for Medicaid.

For many people, their first impulse is to transfer assets before applying for Medicaid based on the incorrect belief that it’s better to have fewer assets when they apply. But, by following this route, they may wind up spending down more than is necessary.

The facts: When a couple applies to a state for Medicaid to support the needs of one spouse, the couple is allowed to protect a portion of their assets—limited by minimum and maximum amounts—for use by the healthy spouse. When one spouse enters a nursing home, Medicaid takes a snapshot of the couple’s assets (i.e., an assessment). This assessment fixes the maximum share of a couple’s assets that can be protected and how much must be spent down before an individual can qualify for Medicaid benefits.

The minimum and maximum amount of assets the healthy spouse may keep is called the Community Spouse Resource Allowance (CSRA). The Centers for Medicare & Medicaid Services (CMS) sets the CSRA annually. In 2024, the minimum amount is \$30,828 and the maximum amount is \$154,140.

Not knowing how your state’s Medicaid eligibility works can hurt you. If you transfer assets before applying, your snapshot could reflect a reduced level of assets. After you apply, you may learn that you can retain only half of what you have left. This figure can be less than half of the amount you owned before you began any asset transfer.

For example: John and Jane have \$215,000 in Medicaid countable assets. Before applying for Medicaid, the couple spends down \$55,000 on expenses that are not penalized for Medicaid. Therefore, when John applies for Medicaid, he and Jane have \$160,000. To qualify for Medicaid, the couple may be required to spend down 50 percent of what they own (i.e.,



50 percent of \$160,000), which leaves Jane, the healthy spouse, with \$80,000. If John and Jane had applied for Medicaid before spending down their assets, they could have kept half of their original \$215,000, leaving Jane with \$107,500.

This is an example for illustrative purposes only. States can modify some of the federal limits, so it is important to work with an elder care attorney who is familiar with both the federal and state Medicaid rule.

Misconception: Property held jointly or in a spouse's name is protected from Medicaid.

The facts: When determining the CSRA for a healthy spouse, all of a couple's assets, individual and joint, are pooled. The spousal deeming rules consider all individually owned assets as belonging to both, even if a prenuptial agreement exists. Also, assets jointly held with a child can be considered available to pay for nursing home care unless the child establishes that the asset is inaccessible or didn't originally belong to the parent.

Misconception: Assets transferred to a trust are protected from Medicaid.

The facts: Perhaps. The use of trusts requires careful planning and a careful review of your financial needs and goals. You cannot transfer assets into a trust, retain control of those assets, and qualify for Medicaid. If you transfer assets to an irrevocable trust, you must give up complete control of those assets.

Assets transferred to a trust within 60 months (5 years) before applying for Medicaid might be penalized and result in a period of ineligibility for Medicaid long-term care benefits.

In limited circumstances, state law permits Medicaid recipients to benefit from trusts. But, as noted above, the beneficiary is required to have no control over the assets. You can do this for yourself, which is more complicated, through a self-settled trust (also called a Miller trust) or special needs trust.

- Miller (or self-settled) trusts can help high-income individuals with few assets qualify for Medicaid in very limited circumstances, usually in what the state deems a crisis situation. Distributions from the trust are restricted to paying for nursing home care. At the Medicaid recipient's death, some states require reimbursement from trust assets before the trust remainder can go to the family.
- Special needs trusts are typically established for a beneficiary that meets the Social Security Administration's definition of disability. Often, the beneficiary has been disabled since birth.
 - A first-party special needs trust holds assets, which may be the result of a lawsuit or medical malpractice claim, initially owned by the beneficiary. Third-party special needs trusts may also be established by a family member or friend. For example, a grandparent may create a trust for a grandchild with disabilities to pay for extras not provided by government programs.

From a practical perspective, it's important to ask yourself a few

planning questions before transferring property to a trust in anticipation of qualifying for government benefits. Are you willing to surrender complete control? Where will you obtain emergency funds? Are you willing to accept state aid rather than assume some of the benefits of privately paying for your care, such as the flexibility to choose a facility?

Misconception: Making gifts to my children is simpler and less expensive than creating a trust.

People make gifts to their children for many reasons, including protecting a parent's assets from being drained by health and long-term care costs or providing children with funds to support the parent.

The facts: According to Medicaid, any gift that a parent (i.e., the Medicaid recipient) made to a child within 60 months of applying for Medicaid assistance is available to help pay for the parent's (recipient's) care, regardless of intentions.

Misconception: Entering the nursing home as a private-pay patient requires me to use all of my and my spouse's assets before I can qualify for Medicaid.

The facts: Many people erroneously believe they have to be impoverished before the state will help them.

Although Medicaid is for the needy, regulations like the CSRA are in place to protect assets for the healthy spouse. So, you are not required to exhaust all of your assets to pay out of pocket for nursing home care. Care facilities may pressure you to pay out of pocket, as they are paid less by the state. You should seek advice from an experienced elder law attorney before spending down a significant portion of your assets on the private-pay rate, particularly if your resources are limited.

Misconception: Entering the nursing home as a private-pay patient guarantees that I have a bed reserved in the same facility when I begin to receive Medicaid.

The facts: Not necessarily. Nursing homes and other long-term care facilities are required to set aside a minimum number of beds for Medicaid recipients, and unused beds cannot be reserved for and held in anticipation of future use. If a Medicaid bed is not available in the facility where you reside when you qualify for the program, you may be transferred to a facility that has an available Medicaid bed. Therefore, you should give careful consideration to your needs when transferring assets. Make your intention clear to your family that, when Medicaid begins paying the bill, you want to remain in the same facility.

Misconception: I can sell my house to my children for \$1 and avoid a Medicaid transfer penalty.

The facts: Under Medicaid rules, transfers for less than fair market value (FMV) are considered a gift. If you sell your house for less than FMV and you apply for Medicaid within 60 months, your benefits will be delayed until after the transfer penalty period ends. It is never a good idea to sell or gift your house in anticipation of Medicaid. If you meet certain conditions, you will not be required to sell your house to qualify for Medicaid.



Misconception: A reverse mortgage will protect my home from Medicaid and help provide for my care.

The facts: Reverse mortgages are financial arrangements that permit older homeowners to borrow from the equity in their house without having to make loan repayments. The loan is repaid when the last surviving borrower dies, sells the home, or permanently moves out.

Although the money that a homeowner receives from a reverse mortgage loan is not generally countable as an asset or income by Medicaid regulations, if your objective is to safeguard your home for your children, a reverse mortgage may not be a good idea. As soon as you (and your spouse) die, your children will have to pay off the loan, which may mean selling the home. Moreover, some reverse mortgage contracts require the loan to be repaid after you reside in a nursing facility for a year.

Misconception: If I purchase an annuity, the assets in the annuity will be protected.

The facts: Often, applicants are incorrectly advised that, if an annuity is purchased, the annuity assets are no longer countable when applying for Medicaid. This is true only if the annuity meets strict standards.

An annuity purchased on or after February 8, 2006, will not avoid the Medicaid transfer penalty rules, unless it is irrevocable and nonassignable and equal payments are made over the actuarial life expectancy of the annuitant. Moreover, the state must be designated as the beneficiary—after certain exempt individuals—in order to reimburse the state for its Medicaid expenditures. Additionally, even if the annuity purchase is not considered a countable asset, the income paid to a Medicaid applicant is available to pay the cost of long-term care. As a result, an annuity is a better planning tool for a couple when the income stream is paid to the healthy spouse.

Misconception: Gifts that qualify for the annual exclusion, or gifts of tuition or medical expenses, are exempt from Medicaid transfer penalty rules.

The facts: An individual may give away up to \$18,000 per individual, per year (in 2024), to as many people as they want. In addition, they may make payments of tuition or medical expenses directly to the providers without those assets being considered taxable. But, the IRS's rules regarding gifts are different than Medicaid's rules for gifts. All gifts, even nontaxable gifts, are subject to the Medicaid 60-month lookback and penalty rules. Further, gifts made to a 529 plan for which you are the custodian/owner are not completed gifts for Medicaid purposes and are included as resources when calculating Medicaid eligibility.

Misconception: My financial advisor and accountant can do my Medicaid planning or I can do it on my own. I do not need to incur legal fees.

The facts: Although your advisor can help you navigate the process, it's important to seek the advice of an experienced elder law attorney. In the long run, your attempts to avoid the cost of legal fees could wind up costing you more and being more complicated than paying to work with your attorney.

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